

CASH BASIS FINANCIAL STATEMENTS
BOYNE VALLEY TOWNSHIP
March 31, 2004
(charlevoix)

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Boyne Valley Township	County Charlevoix
Audit Date 3/31/04	Opinion Date 5/7/04	Date Accountant Report Submitted to State: 7/16/04	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

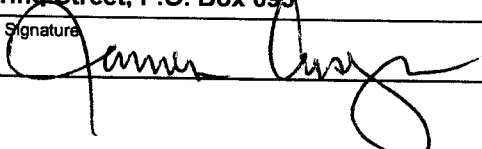
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).	✓		

Certified Public Accountant (Firm Name) Hill, Schroderus & Co., LLP			
Street Address 923 Spring Street, P.O. Box 695		City Petoskey	State MI
Accountant Signature 		ZIP 49770	Date 7-15-04

**BOYNE VALLEY TOWNSHIP
CASH BASIS FINANCIAL STATEMENTS
Year Ended March 31, 2004**

Table of Contents

	<u>Page</u>
Financial Section:	
Independent Auditors' Report	1-2
Combined Statements:	
Combined Statement of Assets, Liabilities and Fund Balances Arising from Cash Transactions - All Fund Types	3
Combined Statement of Revenues Collected, Expenditures Paid and Changes in Fund Balance - All Governmental Fund Types	4
Combined Statement of Revenues Collected, Expenditures Paid and Changes in Fund Balance - Budget and Actual – General and Special Revenue Funds	5
Notes to Cash Basis Financial Statements	6-10
Additional Information:	
Financial Statements of Individual Funds:	
General Fund:	
Statement of Expenditures Paid - Budget and Actual	11
Special Revenue Funds:	
Combining Statement of Assets, Liabilities and Fund Balances Arising From Cash Transactions - All Special Revenue Funds	12
Combining Statement of Revenues Collected, Expenditures Paid and Changes in Fund Balances	13
Fiduciary Fund:	
Statement of Changes in Assets and Liabilities	14
Federal Single Audit Reporting:	
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	15-16
Report on Compliance With Requirements Applicable To Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133	17-18
Schedule of Expenditures of Federal Awards	19
Schedule of Findings and Questioned Costs	20

FINANCIAL SECTION



Hill • Schroderus & Co., LLP
Certified Public Accountants & Consultants

May 7, 2004

Township Board
Boyne Valley Township
Charlevoix County, Michigan

Independent Auditors' Report

We have audited the accompanying financial statements of Boyne Valley Township, Michigan as of and for the year ended March 31, 2004, as listed in the table of contents. These financial statements are the responsibility of Boyne Valley Township, Michigan's, management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, Boyne Valley Township, Michigan, prepares its financial statements on the cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances of Boyne Valley Township, Michigan, as of March 31, 2004, and the revenues it received and the expenditures it paid for the year then ended on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated May 7, 2004, on our consideration of Boyne Valley Township, Michigan's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with government auditing standards and should be read in conjunction with this report in considering the results of our audit.

Boyne Valley Township
Charlevoix County, Michigan

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying financial information listed as additional information in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Boyne Valley Township, Michigan. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements of Boyne Valley Township, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Hill, Schroderus & Co.

CERTIFIED PUBLIC ACCOUNTANTS
Petoskey, Michigan

BOYNE VALLEY TOWNSHIP
COMBINED STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES
ARISING FROM CASH TRANSACTIONS - ALL FUND TYPES
MARCH 31, 2004

	Governmental Fund Types		Fiduciary Fund Type	Account Groups		Total (Memorandum Only)
	General	Special Revenue	Agency	General Fixed Assets	General Long-Term Debt	
<u>Assets</u>						
Cash	\$ 135,946	\$ 162,120	\$ 7,207	\$ -	\$ -	\$ 305,273
Due from other funds	8,207	-	-	-	-	8,207
Property, plant and equipment	-	-	-	836,626	-	836,626
Amount to be provided for retirement of general long-term debt	-	-	-	-	121,229	121,229
Total assets	<u>\$ 144,153</u>	<u>\$ 162,120</u>	<u>\$ 7,207</u>	<u>\$ 836,626</u>	<u>\$ 121,229</u>	<u>\$ 1,271,335</u>
<u>Liabilities and Fund Balances</u>						
Liabilities:						
Due to other funds	\$ -	\$ 1,000	\$ 7,207	\$ -	\$ -	\$ 8,207
Due to other governments	833	-	-	-	-	833
Notes payable	-	-	-	-	121,229	121,229
Total liabilities	<u>833</u>	<u>1,000</u>	<u>7,207</u>	<u>-</u>	<u>121,229</u>	<u>130,269</u>
Fund equity:						
Investment in general fixed assets	-	-	-	836,626	-	836,626
Fund balances:						
Reserved for cemetery operation	-	725	-	-	-	725
Reserved for waste disposal	-	60,467	-	-	-	60,467
Reserved for fire protection	-	37,213	-	-	-	37,213
Reserved for building and improvements	-	57,047	-	-	-	57,047
Reserved for liquor law enforcement	-	5,668	-	-	-	5,668
Unreserved-undesignated	<u>143,320</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>143,320</u>
Total fund equity	<u>143,320</u>	<u>161,120</u>	<u>-</u>	<u>836,626</u>	<u>-</u>	<u>1,141,066</u>
Total liabilities and fund balances	<u>\$ 144,153</u>	<u>\$ 162,120</u>	<u>\$ 7,207</u>	<u>\$ 836,626</u>	<u>\$ 121,229</u>	<u>\$ 1,271,335</u>

BOYNE VALLEY TOWNSHIP
COMBINED STATEMENT OF REVENUES COLLECTED, EXPENDITURES PAID
AND CHANGES IN FUND BALANCE - ALL GOVERNMENTAL FUND TYPES
Year Ended March 31, 2004

	General	Special Revenue	Total (Memorandum Only)
Revenues:			
Taxes	\$ 123,690	\$ 100,188	\$ 223,878
Federal grants	-	54,439	54,439
State grants	62,618	5,023	67,641
Licenses and permits	1,670	-	1,670
Charges for services	4,350	-	4,350
Interest and rentals	415	2,015	2,430
Other	1,508	97,747	99,255
	<hr/>	<hr/>	<hr/>
Total revenues	194,251	259,412	453,663
	<hr/>	<hr/>	<hr/>
Expenditures:			
Legislative	18,426	-	18,426
General government	68,150	14,327	82,477
Public safety	8,683	72,039	80,722
Public works	11,630	197,863	209,493
Debt service:			
Principal repayment	-	20,747	20,747
Interest charges	-	7,440	7,440
	<hr/>	<hr/>	<hr/>
Total expenditures	106,889	312,416	419,305
	<hr/>	<hr/>	<hr/>
Excess (deficiency) of revenues over expenditures	87,362	(53,004)	34,358
	<hr/>	<hr/>	<hr/>
Other financing sources (uses):			
Operating transfers in	-	7,000	7,000
Operating transfers out	(7,000)	-	(7,000)
	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	(7,000)	7,000	-
	<hr/>	<hr/>	<hr/>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	80,362	(46,004)	34,358
	<hr/>	<hr/>	<hr/>
Fund balance, beginning	62,958	207,124	270,082
	<hr/>	<hr/>	<hr/>
Fund balance, ending	\$ 143,320	\$ 161,120	\$ 304,440
	<hr/>	<hr/>	<hr/>

See accompanying notes to financial statements.

BOYNE VALLEY TOWNSHIP
COMBINED STATEMENT OF REVENUES COLLECTED, EXPENDITURES PAID AND CHANGES IN FUND BALANCE
GENERAL AND SPECIAL REVENUE FUNDS - BUDGET AND ACTUAL
Year Ended March 31, 2004

	General Fund			Special Revenue Funds		
	Budget	Actual	Over/(Under) Budget	Budget	Actual	Over/(Under) Budget
Revenues:						
Taxes	\$ 134,457	\$ 123,690	\$ (10,767)	\$ 122,893	\$ 100,188	\$ (22,705)
Federal grants	-	-	-	54,439	54,439	-
State grants	62,618	62,618	-	5,023	5,023	-
Licenses and permits	1,670	1,670	-	-	-	-
Charges for services	4,350	4,350	-	-	-	-
Interest and rentals	426	415	(11)	2,365	2,015	(350)
Other	1,508	1,508	-	98,757	97,747	(1,010)
Total revenues	205,029	194,251	(10,778)	283,477	259,412	(24,065)
Expenditures:						
Legislative	19,000	18,426	(574)	-	-	-
General government	96,575	68,150	(28,425)	15,056	14,327	(729)
Public safety	11,935	8,683	(3,252)	190,252	72,039	(118,213)
Public works	114,237	11,630	(102,607)	263,417	197,863	(65,554)
Debt service						
Principal repayment	-	-	-	21,060	20,747	(313)
Interest charges	-	-	-	7,440	7,440	-
Total expenditures	241,747	106,889	(134,858)	497,225	312,416	(184,809)
Excess (deficiency) of revenues over expenditures	(36,718)	87,362	124,080	(213,748)	(53,004)	160,744
Other financing sources (uses):						
Operating transfers in	-	-	-	7,000	7,000	-
Operating transfers out	(7,000)	(7,000)	-	-	-	-
Total other financing sources (uses)	(7,000)	(7,000)	-	7,000	7,000	-
Excess (deficiency) of revenues and other financing sources over expenditures and other financing use	(43,718)	80,362	124,080	(206,748)	(46,004)	160,744
Fund balance, beginning	62,958	62,958	-	207,124	207,124	-
Fund balance, ending	\$ 19,240	\$ 143,320	\$ 124,080	\$ 376	\$ 161,120	\$ 160,744

See accompanying notes to financial statements.

BOYNE VALLEY TOWNSHIP
NOTES TO CASH BASIS FINANCIAL STATEMENTS
March 31, 2004

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Township operates under a Board-Supervisor form of government and provides the following services as authorized by common law: public safety (fire), public improvements, planning and zoning, and general administrative services.

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14 "The Financial Reporting Entity", these financial statements present the Local Unit (primary government) and its component units. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. Based on these criteria, no other financial statements have been included in the report.

A. Fund Accounting

The accounts of the Township are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues collected and expenditures paid, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into generic fund types and broad fund categories as follows:

GOVERNMENTAL FUNDS

General Fund - The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

FIDUCIARY FUNDS

Agency Funds - Agency Funds are used to account for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Township Agency Fund is used to account for the collection and payment of amounts received by the Township in an agency capacity for governmental units assessing a property tax on property within the Township.

B. Fixed Assets and Long-Term Liabilities

The accounting and reporting treatment applied to fixed assets and long-term liabilities associated with a fund are determined by its measurement focus. All governmental funds and expendable trust funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources". Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

NOTES TO CASH BASIS FINANCIAL STATEMENTS – CONTINUED

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

B. Fixed Assets and Long-Term Liabilities-Continued

Fixed assets used in governmental fund type operations (general fixed assets) are to be accounted for in a General Fixed Asset Account Group rather than in governmental funds.

Long-term liabilities expected to be financed from governmental funds are accounted for in the General Long-Term Debt Account Group, not in the governmental funds. Because of their spending measurement focus, expenditure recognition for governmental fund types is limited to exclude amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities. They are instead reported as liabilities in the General Long-Term Debt Account Group.

The two account groups are not "funds". They are concerned only with the measurement of financial position. They are not involved with measurement of results of operations.

C. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental funds and the agency fund are accounted for using the cash basis of accounting. Their revenues are recognized when collected and expenditures are recognized when paid.

D. Budgets and Budgetary Accounting

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to April 1, the Supervisor submits to the Township Board a proposed operating budget for the next fiscal year commencing on April 1. The operating budget includes proposed expenditures and the means of financing them.
2. Prior to the beginning of the fiscal year, the budget is legally enacted through passage of an appropriation act.
3. The cash basis budget is adopted at the total fund level. Budgeted amounts are as originally adopted, or as amended by the Township Board during the year. Appropriations lapse at year end.

E. Total Columns on Combined Statements - Overview

Total columns on the Combined Statements - Overview are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTES TO CASH BASIS FINANCIAL STATEMENTS – CONTINUED

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Financial Statement Estimates

The Township uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenditures. Actual results could vary from the estimates that were assumed in preparing the financial statements.

NOTE 2: PROPERTY TAX

Property taxes attach as an enforceable lien on property as of December 31. Taxes are levied in December and are payable from December through February 14. The Township bills and collects its own property taxes and also taxes for other governmental units. Collections of the other governmental units' taxes and remittance of them to the units are accounted for in the Agency Fund. Property tax revenues are recognized when collected.

The Township is permitted by state law, subject to State Headlee and Truth in Taxation provisions, to levy taxes up to \$1 per \$1,000 of state taxable valuation for general government services other than the payment of principal and interest on long-term debt and in unlimited amounts for the payment of principal and interest on long-term debt.

The tax rates for the year ended March 31, 2004, were as follows:

<u>Purpose</u>	<u>State Taxable Value</u>	<u>Rate/ Assessed Value</u>
General government services	\$74,626,156	\$.9320 per \$1,000
Fire protection services	\$74,626,156	\$.9590 per \$1,000
Waste disposal services	\$74,626,156	\$.3242 per \$1,000

NOTE 3: INSURED DEPOSITS AND INVESTMENTS

A. At March 31, 2004, the carrying amount of the Village's deposits was \$305,273 and the bank balance was \$308,221. Of the bank balance, \$59,864 was covered by federal depository insurance. State statutes prohibit security in the form of collateral, surety bonds or another form be taken for the deposit of public funds.

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States, United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

NOTES TO CASH BASIS FINANCIAL STATEMENTS – CONTINUED

NOTE 3: INSURED DEPOSITS AND INVESTMENTS - CONTINUED

B. Pooling of Cash – The Township pools cash to maximize its investment return.

<u>Fund</u>	<u>Pooled Cash</u>
General	\$ 135,946
Cemetery	725
Transfer station	13,830
Fire protection	37,213
Fire station	57,047
Liquor law enforcement	<u>5,668</u>
Total pooled cash	250,429
Cash not held in pooled accounts	<u>54,844</u>
Total cash	<u>\$ 305,273</u>

NOTE 4: INTERFUND RECEIVABLES AND PAYABLES

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
General	\$ 8,207	\$ -
CDBG	-	1,000
Tax fund	-	<u>7,207</u>
	<u>\$ 8,207</u>	<u>\$ 8,207</u>

NOTE 5: CHANGES IN GENERAL FIXED ASSETS

A Summary of changes in general fixed assets follows:

	<u>Balance April 1, 2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance March 31, 2004</u>
Land	\$ 35,525	\$ -	\$ -	\$ 35,525
Building	210,811	-	-	210,811
Equipment	<u>573,146</u>	<u>17,144</u>	<u>-</u>	<u>590,290</u>
Total	<u>\$819,482</u>	<u>\$ 17,144</u>	<u>\$ -</u>	<u>\$836,626</u>

NOTE 6: CHANGES IN LONG-TERM DEBT

	<u>Balance April 1, 2003</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance March 31, 2004</u>
General Long Term Debt Account Group:				
2002 Capital Lease payable for a Fire Truck due in annual installments of \$28,187 including interest at a rate of 5.12% per annum through January 2009.	<u>\$ 141,976</u>	<u>\$ -</u>	<u>\$ 20,747</u>	<u>\$ 121,229</u>

NOTES TO CASH BASIS FINANCIAL STATEMENTS – CONTINUED

NOTE 6: CHANGES IN LONG-TERM DEBT—CONTINUED

The financed amount of the lease was \$161,691 after a trade in allowance of \$5,809. The total amount included in the General Fixed Asset Account Group for this asset is \$167,500.

The annual requirements to amortize all debt outstanding, as of March 31, 2004 including interest payments of \$19,706 are as follows:

Year Ending
March 31, 2004

2005	\$ 28,187
2006	28,187
2007	28,187
2008	28,187
2009	<u>28,187</u>
	<u>\$140,935</u>

NOTE 7: RESERVED FUND BALANCES

<u>Fund</u>	<u>Purpose</u>	<u>Amount</u>
Cemetery	Cemetery operation	\$ 725
Transfer Station	Waste disposal and site maintenance	60,467
Fire Protection	Fire protection services	37,213
Fire Station	Fire station building and improvements	57,047
Liquor Law Enforcement	Liquor law enforcement related activities and constable	<u>5,668</u>
		<u>\$ 161,120</u>

NOTE 8: RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters.

The Township belongs to the Michigan Township Participating Plan, which currently operates as a common risk management and insurance program for various municipalities throughout the state. The Township pays an annual premium for its general insurance and workman's compensation coverage. The Plan is self-sustaining through member premiums and 100% reinsures through commercial companies.

NOTE 9: SUBSEQUENT EVENTS

The Township agreed to provide perpetual care to a private cemetery in April 2004. The township received \$14,500 in consideration for this agreement. The private family will notify the Township at the beginning of each year as to when maintenance should begin.

ADDITIONAL INFORMATION

GENERAL FUND

To account for resources traditionally associated with governments which are not required to be accounted for in another fund.

BOYNE VALLEY TOWNSHIP
GENERAL FUND
STATEMENT OF EXPENDITURES PAID - BUDGET AND ACTUAL
Year Ended March 31, 2004

	<u>Budget</u>	<u>Actual</u>	<u>Over/(Under) Budget</u>
Expenditures:			
Legislative:			
Township board	\$ 19,000	\$ 18,426	\$ (574)
General government:			
Supervisor	10,220	9,500	(720)
Elections	1,560	-	(1,560)
Assessor	15,550	14,902	(648)
Legal	2,400	1,880	(520)
Clerk	11,750	10,421	(1,329)
Board of Review	2,580	2,385	(195)
Treasurer	14,100	13,881	(219)
Building and grounds	10,352	6,813	(3,539)
Other:			
Insurance	5,549	3,712	(1,837)
Miscellaneous	15,514	-	(15,514)
Capital outlay	7,000	4,656	(2,344)
Total general government	<u>96,575</u>	<u>68,150</u>	<u>(28,425)</u>
Public safety:			
Ambulance	4,900	4,875	(25)
Planning board	1,800	330	(1,470)
Street lighting	125	108	(17)
Zoning board	5,110	3,370	(1,740)
Total public safety	<u>11,935</u>	<u>8,683</u>	<u>(3,252)</u>
Public works:			
Highway and streets	114,237	11,630	(102,607)
Total expenditures	<u>\$ 241,747</u>	<u>\$ 106,889</u>	<u>\$ (134,858)</u>

SPECIAL REVENUE FUNDS

Cemetery - To account for the activities relating to the Township cemetery. Financing is provided by non-tax revenues, such as charges for services and interest income.

Transfer Station - To account for the activities relating to the Township's landfill operation. Financing is provided by a specific annual tax levy which may only be used for such activities.

Fire Protection - To account for the activities relating to the Township's fire department. Financing is provided by state—shared revenues, donations, and a specific annual tax levy which may only be used for such activities.

Fire Station - To account for the activities relating to the Township's fire station. Financing was provided by a specific tax levy which may only be used for such activities.

Liquor Law Enforcement - To account for the activities financed by the Township's share of liquor taxes.

Community Development Block Grant (CDBG) - To account for the activities relating to the Township's grant for Boyne Mountain resort's improvement to facilitate Township growth and economic development.

BOYNE VALLEY TOWNSHIP
COMBINING STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES
ARISING FROM CASH TRANSACTIONS - ALL SPECIAL REVENUE FUNDS
March 31, 2004

	<u>Cemetery</u>	<u>Transfer Station</u>	<u>Fire Operating</u>
<u>Assets</u>			
Cash	<u>\$ 725</u>	<u>\$ 60,467</u>	<u>\$ 37,213</u>
 <u>Liabilities And Fund Balances</u>			
Liabilities:			
Due to other funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund balances:			
Reserved for cemetery operation	725	-	-
Reserved for waste disposal	-	60,467	-
Reserved for fire protection	-	-	37,213
Reserved for building and improvements	-	-	-
Reserved for liquor law enforcement	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>725</u>	<u>60,467</u>	<u>37,213</u>
Total liabilities and fund balances	<u>\$ 725</u>	<u>\$ 60,467</u>	<u>\$ 37,213</u>

<u>Fire Station</u>	<u>Liquor</u>	<u>CDBG</u>	<u>Total</u>
<u>\$ 57,047</u>	<u>\$ 5,668</u>	<u>\$ 1,000</u>	<u>\$ 162,120</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,000</u>	<u>\$ 1,000</u>
-	-	-	725
-	-	-	60,467
-	-	-	37,213
57,047	-	-	57,047
<u>-</u>	<u>5,668</u>	<u>-</u>	<u>5,668</u>
<u>57,047</u>	<u>5,668</u>	<u>-</u>	<u>161,120</u>
<u>\$ 57,047</u>	<u>\$ 5,668</u>	<u>\$ 1,000</u>	<u>\$ 162,120</u>

**BOYNE VALLEY TOWNSHIP
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF COLLECTED, EXPENDITURES PAID AND CHANGES IN FUND BALANCES
Year Ended March 31, 2004**

	<u>Cemetery</u>	<u>Transfer Station</u>	<u>Fire Operating</u>
Revenues:			
Property taxes	\$ -	\$ 25,447	\$ 74,741
Federal grants	-	-	-
State grants	-	-	-
Interest	15	1,302	297
Other	2,168		6,142
	<u>2,183</u>	<u>26,749</u>	<u>81,180</u>
Total revenues	<u>2,183</u>	<u>26,749</u>	<u>81,180</u>
Expenditures:			
Current:			
General government:			
Cemetery	14,327	-	-
Public safety:			
Liquor law enforcement	-	-	-
Fire protection	-	-	68,767
Public works:			
Highways and streets	-	-	-
Sanitation	-	53,987	-
Engineering	-	-	-
Debt service:			
Principal repayment	-	-	20,747
Interest charges	-	-	7,440
	<u>14,327</u>	<u>53,987</u>	<u>96,954</u>
Total expenditures	<u>14,327</u>	<u>53,987</u>	<u>96,954</u>
Excess (deficiency) of revenues over expenditures	<u>(12,144)</u>	<u>(27,238)</u>	<u>(15,774)</u>
Other financing sources (uses):			
Operating transfers in	7,000	-	-
Operating transfers out	-	-	-
	<u>7,000</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>7,000</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(5,144)	(27,238)	(15,774)
Fund balances, beginning	<u>5,869</u>	<u>87,705</u>	<u>52,987</u>
Fund balances, ending	<u>\$ 725</u>	<u>\$ 60,467</u>	<u>\$ 37,213</u>

Fire Station	Liquor	CDBG	Total
\$ -	\$ -	\$ -	\$ 100,188
-	-	54,439	54,439
-	5,023	-	5,023
367	34	-	2,015
-	-	89,437	97,747
367	5,057	143,876	259,412
-	-	-	14,327
-	2,854	-	2,854
418	-	-	69,185
-	-	28,349	28,349
-	-	26,090	80,077
-	-	89,437	89,437
-	-	-	20,747
-	-	-	7,440
418	2,854	143,876	312,416
(51)	2,203	-	(53,004)
-	-	-	7,000
-	-	-	-
-	-	-	7,000
(51)	2,203	-	(46,004)
57,098	3,465	-	207,124
\$ 57,047	\$ 5,668	\$ -	\$ 161,120

FIDUCIARY FUND

Agency Fund - To account for the collection and payment of amounts received by the Township in an agency capacity.

BOYNE VALLEY TOWNSHIP
 AGENCY FUND
 STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 Year Ended March 31, 2004

	Tax Collection Fund		
	Balance April 1, 2003	Additions	Balance March 31, 2004
<u>Assets</u>			
Cash in bank	\$ -	\$ 2,324,316	\$ 2,317,109
			\$ 7,207
<u>Liabilities</u>			
Due to other funds	-	161,914	154,707
Due to other taxing units	-	2,026,291	2,026,291
			-
Total liabilities	\$ -	\$ 2,188,205	\$ 2,180,998
			\$ 7,207



Hill • Schroderus & Co., LLP

Certified Public Accountants & Consultants

May 7, 2004

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

Boyne Valley Township
Charlevoix County, Michigan

We have audited the cash basis financial statements of Boyne Valley Township as of and for the year ended March 31, 2004, and have issued our report thereon dated May 7, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Boyne Valley Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Boyne Valley Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Boyne Valley Township
Charlevoix County, Michigan

This report is intended solely for the information of management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Hill, Schoenus & Co.

CERTIFIED PUBLIC ACCOUNTANTS
Petoskey, Michigan



Hill • Schroderus & Co., LLP

Certified Public Accountants & Consultants

May 7, 2004

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Boyne Valley Township
Charlevoix County, Michigan

Compliance

We have audited the compliance of Boyne Valley Township with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the two years ended March 31, 2004. Boyne Valley Township's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Boyne Valley Township's management. Our responsibility is to express an opinion on Boyne Valley Township's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Boyne Valley Township's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Boyne Valley Township's compliance with those requirements.

In our opinion, Boyne Valley Township complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the two years ended March 31, 2004.

Internal Control Over Compliance

The management of Boyne Valley Township is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to the federal programs. In planning and performing our audit, we considered Boyne Valley Township's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Boyne Valley Township
Charlevoix County, Michigan

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information of management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Hill, Schroeder & Co.

CERTIFIED PUBLIC ACCOUNTANTS
Petoskey, Michigan

BOYNE VALLEY TOWNSHIP
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Four Years Ended March 31, 2004

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal CFDA Number	Approved Grant Award Amount	Prior Fiscal Years Ended		Fiscal Year Ended	
			March 31, 2001 Expenditures (Cash Basis)	March 31, 2002 Expenditures (Cash Basis)	March 31, 2003 Expenditures (Cash Basis)	March 31, 2004 Expenditures (Cash Basis)
U.S. Department of Housing and Urban Development						
Passed Through State of Michigan Economic Development Corporation						
Community Development Block Grant MSC 200003-EDIG	14.228	\$ 1,784,350	\$ 376,804	\$ 371,909	\$ 973,538	\$ 54,439
Total Federal Financial Assistance		<u>\$ 1,784,350</u>	<u>\$ 376,804</u>	<u>\$ 371,909</u>	<u>\$ 973,538</u>	<u>\$ 54,439</u>

Notes:

- Expenditures in this schedule are in agreement with amounts reported in the financial statements.
- Schedule was prepared using the cash basis of accounting.

BOYNE VALLEY TOWNSHIP
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended March 31, 2004

I. Summary of Audit Results

1. Boyne Valley Township has received an unqualified opinion on its cash basis financial statements.
2. No reportable conditions were disclosed by the audit of the financial statements.
3. We noted no noncompliance that would be material to the financial statements.
4. We noted no matters involving internal control over major programs that we consider to be reportable conditions.
5. Boyne Valley Township has received an unqualified opinion on compliance for its major program, U.S. Department of Housing and Urban Development Community Development Block Grant (CFDA 14.228).
6. We noted no audit findings required to be reported under Section 510(a) of OMB Circular A-133.
7. The dollar threshold used to determine Type A (major) programs was \$500,000. One program qualified as a potential Type A program; the U.S. Department of Housing and Urban Development Community Development Block Grant (CFDA 14.228). The Community Development Block Grant was considered to be a high risk Type A program and was considered a major program.

II. Findings and Questioned Costs

We noted no findings to be reported in accordance with GAGAS.

III. Findings and Questioned Costs in Accordance With Sec. 510(a) of OMB A-133

We noted no findings as defined in Sec. 510(a) of OMB A-133.